

Latest Trends in Financing Affordable Homeownership

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Federation of Appalachian
Housing Enterprises

FAHE

- 33 Member Groups serving Central Appalachia Regions of VA, WV, KY and TN
- FAHE Member Groups serve 82% of the Appalachia Distressed Counties in our four state area
- FAHE has combined assets of \$236 million dollars

FAHE FY 2003 Production

- 352 Single Family Homeownership
- 241 Rental Homes
- 1790 Existing Homes Rehabilitated

FAHE's total production over the years

- Almost 3,000 single family homeownership
- Over 3,000 affordable rental homes
- Over 33,000 existing homes rehabed

FAHE Program Areas

- Advocacy
- Financial Resources
 - Permanent Financing
 - Development Loan Fund
 - Pass-through Funds
- Technical Assistance
- Networking

Approach to Homeownership Financing

- Designed Program based on Communities' Need
- Median Annual Income serviced in FY '03 with FAHE's Home Loan Fund was approximately \$12,000
- Determine loan payment (PITI) based on 20-32% of gross income (targeting 20%)

Leveraging for Affordability

- Most funding sources require leveraging, especially grant funds
- Back into loan to determine financing options
- Limit grant funds and design as deferred loan when possible
- Create partnership with funding sources
- Create flexibility to meet local needs

Leveraging Sources

- VHDA Blended Loan Pool and FAHE/VHDA Loan Fund
- Rural Development 502 Direct with Home Loan Partnership Program
- Section 8
- FAHE VA Home Loan Fund
- Member Group's Home Loan Funds
- Federal Home Loan Bank AHP Program

Determining Affordability

		20% mo.	22% mo.	32% mo.	Target	Target
Sample Applicants	Income	Income	Income	Income	PITI	PI
30% AMI 1 person	\$ 6,780	\$ 113	\$ 124	\$ 181	145	\$ 118
50% 2 people	\$ 13,560	\$ 226	\$ 249	\$ 362	226	\$ 159
64% 7 people	\$ 34,000	\$ 567	\$ 623	\$ 907	567	\$ 500
80% 3 people	\$ 27,000	\$ 450	\$ 495	\$ 720	450	\$ 383
35% AMI	\$ 13,000	\$ 217	\$ 238	\$ 347	217	\$ 150
below 80% AMI	\$ 26,000	\$ 433	\$ 477	\$ 693	433	\$ 366

Leveraging Examples

30% AMI = \$6,780 Annual Income for 1 person				Target PI	\$ 118
	Amount	Rate	Term		PI
RD 502	\$ 40,000	1%	396		\$118.63
FAHE HLF			1		\$0.00
FAHE HOME	\$ 14,000	0.000%	Deferred		\$0.00
Blended Loan Pool			1		\$0.00
CHDO HOME			1		\$0.00
MG HLF			1		\$0.00
RD 504					\$0.00
SHOP	\$ 7,500	1%	Deferred		\$0.00
FHLB			1		\$0.00
Other			1		\$0.00
Volunteer Donations and Labor	\$ 250	0%	1		\$0.00
Total	\$ 61,750				\$118.63

Section 8 Example

35% AMI				Target PI	\$ 150
	Amount	Rate	Term		PI
RD 502		1%	396		\$0.00
FAHE HLF	\$ 30,000	4%	360		\$143.22
FAHE HOME	\$ 10,000	0.00%	120	deferred	\$0.00
Blended Loan Pool		3.875%	360		\$0.00
CHDO HOME	\$ -		0	0	\$0.00
VHDA or Local Bank	\$ 35,000	6%	180		\$295.35
RD 504			1		\$0.00
SHOP			1	0	\$0.00
FHLB	\$ -		1		\$0.00
Other	\$ 4,000		1	grant	\$0.00
Volunteer Donations and Labor			1		\$0.00
Total	\$ 79,000				\$438.57

Rural Development Leverage

64% 7 people				Target PI	\$ 500
	Amount	Rate	Term		PI
RD 502	\$ 70,000	4%	396		\$318.64
FAHE HLF		4%	180		\$0.00
FAHE HOME			1		\$0.00
Blended Loan Pool		3.875%	360		\$0.00
CHDO HOME			1		\$0.00
MG HLF			1		\$0.00
RD 504			1		\$0.00
SHOP			1		\$0.00
FHLB			1		\$0.00
Bank	\$ 15,200	6%	360		\$91.13
Volunteer Donations and Labor			1		\$0.00
Total	\$ 85,200				\$409.77

Housing Counseling and Homeowner Education

- FAHE services over 900 loans
- Lessons learned through servicing
- Housing Counseling
- Homeowner Education
- Financial Literacy
- Predatory Lending
- Insurance

Building Capacity for Affordable Housing

- Local nonprofits designed for long term capacity
- Impact and Production Based
- Financial Capacity
- Staff Capacity
- Local Networking

Developing Revolving Loan Fund

- DHCD CHDO HOME
- SHOP
- Rural Housing and Economic Development (HUD RHED)
- CDBG
- Private Foundations

Operating Capacity

- CHDO Operating Funds
- Pricing of houses
- Packaging and Housing Counseling Fees
- Local Support
- Developers Fees
- Retention of Staff
- Staff Training
- Evaluation of Programs

Policy Goals

- Maintaining CHDO Proceeds
- Regional Loan Fund and Revolving the HOME Funds as Program Income
- Expansion or Elimination of Indoor Plumbing Program
- Cost Recovery for services with RD's 502
- DHCD HOME Funds Reserved for "Balance of State" areas